

**REVENUE DEPARTMENT[701]**

**Notice of Intended Action**

**Twenty-five interested persons, a governmental subdivision, an agency or association of 25 or more persons may demand an oral presentation hereon as provided in Iowa Code section 17A.4(1)"b."**

**Notice is also given to the public that the Administrative Rules Review Committee may, on its own motion or on written request by any individual or group, review this proposed action under section 17A.8(6) at a regular or special meeting where the public or interested persons may be heard.**

Pursuant to the authority of Iowa Code chapter 17A and section 421.14, the Department of Revenue hereby gives Notice of Intended Action to adopt new Chapter 239, "Local Option Sales Tax Urban Renewal Projects," Iowa Administrative Code.

New Chapter 239 is proposed as a result of 2008 Iowa Acts, chapter 1191, sections 65 through 68, which authorizes an eligible city with a local option sales and services tax to establish, by ordinance, a sales tax increment financing district for the purpose of funding urban renewal projects without an election.

The proposed amendment will not necessitate additional expenditures by political subdivisions or agencies and entities which contract with political subdivisions.

Any person who believes that the application of the discretionary provisions of this amendment would result in hardship or injustice to that person may petition the Department for a waiver of the discretionary provisions, if any.

The Department has determined that this proposed amendment may have an impact on small business. The Department has considered the factors listed in Iowa Code section 17A.4A. The Department will issue a regulatory analysis as provided in Iowa Code section 17A.4A if a written request is filed by delivery or by mailing postmarked no later than March 2, 2009, to the Policy Section, Taxpayer Services and Policy Division, Department of Revenue, Hoover State Office Building, P.O. Box 10457, Des Moines, Iowa 50306. The request may be made by the Administrative Rules Review Committee, the Administrative Rules Coordinator, at least 25 persons signing that request who each qualify as a small business, or an organization representing at least 25 such persons.

Any interested person may make written suggestions or comments on the proposed amendment on or before February 17, 2009. Such written comments should be directed to the Policy Section, Taxpayer Services and Policy Division, Department of Revenue, Hoover State Office Building, P.O. Box 10457, Des Moines, Iowa 50306.

Persons who want to convey their views orally should contact the Policy Section, Taxpayer Services and Policy Division, Department of Revenue, at (515)281-8036 or at the Department of Revenue offices on the fourth floor of the Hoover State Office Building.

Requests for a public hearing must be received by February 20, 2009.

This amendment is intended to implement Iowa Code chapter 423B as amended by 2008 Iowa Acts, chapter 1191, sections 65 to 68.

The following amendment is proposed.

Adopt the following **new** 701—Chapter 239:

**CHAPTER 239  
LOCAL OPTION SALES TAX URBAN RENEWAL PROJECTS**

**701—239.1(423B) Urban renewal project.** An eligible city may by ordinance of the city council provide for the use of a designated amount of the increased local sales and services tax revenues collected under this chapter which are attributable to retail establishments in an urban renewal area to fund urban renewal projects located in the urban renewal area. The designated amount may be all or a portion of such increased revenues.

**701—239.2(423B) Definitions.** For purposes of this chapter, unless the context otherwise requires, the following definitions shall apply:

“*Base year*” means the fiscal year during which the ordinance is adopted that provides for funding of an urban renewal project by a designated amount of the increased sales and services tax revenues, as referenced in 239.1(423B).

“*Eligible city*” means:

1. A city in which a local sales and services tax imposed by the county applies; or
2. A city whose corporate boundaries include areas of two counties that may impose by ordinance of their city councils a local sales and services tax if all of the following apply:

- At least 85 percent of the residents of the city live in one county.
- The county in which at least 85 percent of the city residents reside has held an election on the question of the imposition of a local sales and services tax and a majority of those voting on the question in the city favored its imposition.

- The city has entered into an agreement on the distribution of the sales and services tax revenues collected from the area where the city tax is imposed with the county where such area is located, and in which an urban renewal area has been designated.

“*Local sales and services tax*” means the local tax imposed by a jurisdiction pursuant to an election authorized by Iowa Code section 423B.1.

“*Retail establishment*” means a business required to obtain a sales tax permit as required by Iowa Code section 423.36.

“*Retail properties*” means an area of property in which more than one retail establishment is located.

“*Urban renewal area*” means a slum area, blighted area, economic development area, or a combination of such areas, which the local governing body designates as appropriate for an urban renewal project as allowed under Iowa Code chapter 403.

“*Urban renewal project*” may include undertakings and activities of a municipality in an urban renewal area for the elimination and for the prevention of the development or spread of slums and blight, may include the designation and development of an economic development area in an urban renewal area, and may involve slum clearance and redevelopment in an urban renewal area, or rehabilitation or conservation in an urban renewal area, or any combination or part thereof in accordance with an urban renewal program as allowed under Iowa Code chapter 403.

**701—239.3(423B) Establishing sales and revenue growth.** For purposes of establishing the sales amount in the base year and the revenue growth in subsequent fiscal years, the department will calculate sales made by retail establishments located within the urban renewal area.

**701—239.4(423B) Requirements for cities adopting an ordinance.**

**239.4(1)** At least 90 days following the adoption of an ordinance, an eligible city must notify the director of the department of revenue of its intent to pursue funding for an urban renewal project based upon the increase in local sales and services tax revenue. The notification must include the following information:

- a. A copy of the urban renewal plan and the resolution adopting the city’s urban renewal plan;
- b. A copy of the adopted ordinance, including:
  - (1) The current and original, if applicable, purpose or purposes for which the local option sales and services tax was enacted; and
  - (2) The amount and proportion of revenue that will be redistributed from each current revenue purpose to fund urban renewal within the urban renewal area;
- c. The legal description of the urban renewal area covered by the ordinance;
- d. A map showing the geographic boundaries of the urban renewal area; and
- e. A geographic information system boundary file, if available, showing the geographic boundaries of the urban renewal area.

**239.4(2)** Each urban renewal area must have its own separate ordinance, and the department shall be notified separately for each urban renewal area.

**239.4(3)** Notification shall be mailed or otherwise submitted to: Director, Iowa Department of Revenue, Hoover State Office Building, 1305 E. Walnut Street, Des Moines, Iowa 50319.

**701—239.5(423B) Identification of retail establishments.** The eligible city shall assist the department of revenue in identifying retail establishments in the urban renewal area that are collecting the local sales and services tax. The department of revenue will identify sales tax permit holders within the urban renewal area using the geographic information system boundary file, if available, provided to the department. If no boundary file is provided, the department will rely upon the map submitted by the eligible city. If any of the urban renewal area boundaries submitted are street centerlines, the information provided to the department shall indicate whether only retail establishments within the bounded area should be considered part of the urban renewal area, or if in addition to the retail establishments within the bounded area, retail establishments immediately adjacent to the bounded area should also be included.

**701—239.6(423B) Calculation of base year taxable sales amount.** The base year taxable sales and services amount will be the total taxable sales and services subject to the local sales and services tax that are made by retail establishments within the urban renewal area during the base year.

**701—239.7(423B) Determination of tax growth increment amount.** The local sales and services tax growth increment amount for the urban renewal area will be computed for each fiscal year following the base year. The annual local option sales and services tax growth increment amount is equal to the current year taxable sales and services subject to the local sales and services tax that are made by retail establishments located in the urban renewal area minus the corresponding base year taxable sales and services amount for the urban renewal area multiplied by the current local sales and services tax rate applicable to the jurisdiction.

**701—239.8(423B) Distribution of tax base and growth increment amounts.** The revenues from the local sales and services tax growth amount for urban renewal areas in jurisdictions that have enacted ordinances pursuant to 2008 Iowa Acts, chapter 1191, section 68, shall be determined annually and shall be distributed to the city within 120 days following the end of the fiscal year in which they are collected.

**701—239.9(423B) Example.** City A has an urban renewal area that covers a large portion of its downtown. City A also has in place a 1 percent local sales and services tax. On October 30, 2008, City A's City Council enacts an ordinance that establishes the urban renewal area as a local sales and services tax increment district. The ordinance also designates 100 percent of the tax growth increment amount to the special city account.

The base year taxable sales amount for the urban renewal area will equal the amount of taxable sales made by retail establishments in the urban renewal area for the fiscal year in which the ordinance was adopted. Assume City A's urban renewal area has \$10,050,000 in taxable sales during the 2008-2009 fiscal year.

At the end of the fiscal year following the fiscal year in which the ordinance was adopted (June 30, 2010, in this example), City A's urban renewal area has taxable sales of \$25,000,000. To determine the tax growth increment amount, the department subtracts the base year taxable sales amount from fiscal year two's taxable sales amount then multiplies the remainder by the local sales and services tax rate of 1 percent as follows:

$$\$25,000,000 - \$10,050,000 = \$14,950,000$$

$$\$14,950,000 \times .01 = \$149,500$$

The result is a tax growth increment amount of \$149,500. The department of revenue will deposit \$149,500 into the city's special account no later than November 10 following the end of the fiscal year.

**701—239.10(423B) Ordinance term.** An ordinance under this chapter is repealed when the plan for the urban renewal area expires or terminates or 20 years after adoption of the ordinance, whichever is the earlier.

These rules are intended to implement Iowa Code chapter 423B as amended by 2008 Iowa Acts, chapter 1191, sections 65 to 68.